Compilation

Office of the State Auditor

Setting High Standards

Compilation of the Reports Submitted by County Sheriffs
and the Assistant Judges

for the Fiscal Year ended June 30, 2003

Elizabeth M. Ready
Vermont State Auditor

Issue Date: July 9, 2004

Mission Statement

The mission of the State Auditor's Office is to be a catalyst for good government by promoting reliable and accurate financial reporting as well as promoting economy, efficiency and effectiveness in State government.

Office of the State Auditor

Compilation of the Reports Submitted by County Sheriffs and the Assistant Judges & Financial Operations of and Financial Assistance to the County Sheriffs' Departments for the Fiscal Year ended June 30, 2003

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Cover Photo: Washington County Sheriff's Office.

Summary from the Auditor

July 9, 2004

Speaker of the House of Representatives, Walter R. Freed
President Pro-Tempore of the Senate, Peter Welch
Governor James Douglas
Honorable Members of the Vermont General Assembly

Dear Sir or Madam:

I am writing to transmit to you a summary of the audits and required financial reports of the County Sheriffs and Assistant Judges for the Fiscal Year ending June 30, 2003. These audits and reports are required by 24 V.S.A. § 290, a copy of which is included in Appendix A. The complete text of the audits for each county is available from our Office upon request.

The County Sheriffs' Departments that received the required biennial independent audits for FY 2003 were Bennington, Chittenden, Orange, Windham and Windsor. The Washington County Sheriff's Department was audited as of June 30, 2003 according to 24 V.S.A. § 290, which states:

> *"The auditor of accounts and his or her authorized representatives may at any time examine the records, accounts, books, papers, contracts, reports and returns of the county sheriff departments as they pertain to funds received or disbursed for the benefit of the state, the counties, or the sheriffs such as arise from activities engaged in by virtue of their offices."*

These audits were completed by R. F. Lavigne & Company (auditors) in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Please refer to Appendix B for a description of the approach and methodology used to secure the independent accounting firm. Appendix D outlines issues particular to the Washington County Sheriff's Department that our Office has raised with the Attorney General.

The Independent Auditor's Report for each of these audits includes a Schedule of Findings that is summarized below. These audit findings range from more serious issues related to material noncompliance with laws and regulations to accounting practices that need improvement and that are typically found in small organizations. In all cases, the independent auditor recommended procedures to improve these controls. Please refer to Appendix C for a description of the accounting terms used to describe the findings outlined below.

Overall, auditors observed a number of weaknesses within the departments, some of which occurred at more than one department, or continued to reoccur. To address these issues we recommend that Vermont sheriffs:

- Develop uniform procedures that will be included in the State of Vermont's Uniform Accounting Manual for County Sheriffs Department (Manual) to guide how sheriffs are compensated for the 5 percent contract provision, which they are allowed to take pursuant to 24 VSA §291a(c). This policy should, at a minimum, require that departments receive contract payments before the 5 percent is paid to the sheriff (preliminary guidance offered by the Attorney General's Office for administration of the 5 percent provision is attached as Appendix E);

- Provide training to sheriffs and department accountants in adhering to standards set out in the Manual, with special emphasis upon maintaining adequate back-up records for all balances shown on the financial statements, including receivables and payables; and,

- Consider adopting a uniform accounting software package.

In addition, the General Assembly may wish to follow the federal practive of requiring those departments with material weaknesses, or material non-compliance issues, to be audited in each subsequent year until such findings are addressed.

The General Assembly may also wish to amend 24 VSA §291a(c) to clarify issues surrounding the payment of the 5 percent administration fee and require that all contract payments must coincide with the state fiscal year.

The Balance Sheets and Statement of Revenues, Expenses and Changes in Retained Earnings for the Sheriffs' Departments are summarized in Schedules 1 & 2, respectively. Additionally, Title 24 V.S.A. § 73(a) requires each county to provide its Sheriff's Department with certain specific funds, facilities, personnel, equipment and services. Under 24 V.S.A. §290b(d), the Assistant Judges must forward to the State Auditor a report reflecting funds distributed by the county to or on behalf of the sheriffs' departments. These reports are summarized in Schedule 3.

The accompanying compilations are based on the representations of the County Sheriffs and Assistant Judges. We have not audited or reviewed the underlying financial records and documentation and, accordingly, do not express an opinion or any other form of assurance on them.

Sincerely,

Elizabeth M. Ready

Elizabeth M. Ready
Vermont State Auditor

CC: Michael K. Smith, Secretary, Agency of Administration
Robert Hofmann, Commissioner, Department of Finance and Management
Jane Woodruff, Executive Director, Department of State's Attorneys and County Sheriffs Departments
State Library

Washington County Sheriff's Department

Material Weaknesses

- As of June 30, 2002, the Sheriff owed the Department $22,795 for advances made to him over a period of years. In July 2002, the Sheriff repaid the Department $19,600, resulting in a net amount owed to the Department of $3,195 as of July 10, 2002.

  As in prior years, the Sheriff again took several cash advances from the Department during the year ended June 30, 2003. Most notable was the fact that the Sheriff borrowed $25,000 in the Department's name. However, he deposited the loan proceeds in the bank account of a member of his family. The subsequent repayment of the $26,000 loan with interest was charged to the amount the Sheriff owes the Department.

  In addition to the $26,000 loan indicated above and the $3,195 due from the prior year, the Sheriff also received cash advances of $1,935 on the Department's credit card, $154 for personal cell phone usage, and $330 for other charges.

  The end result is that, as of June 30, 2003, the Sheriff now owes the Department $31,614 for what are primarily cash advances to himself.

- While not specifically cash advances, but characterized as Department purchases of equipment, two instances were noted where the Sheriff purchased equipment for the Department from himself.

  On August 23, 2003, the Sheriff sold the Department a 10-year-old set of toolboxes and hand tools for $3,800. There was no apparent appraisal of the toolboxes and tools and, therefore, it is unclear as to whether these items were worth $3,800. The Sheriff prepared the bill of sale to himself and also approved payment for the tools.

  On December 30, 2002, the Sheriff sold the Department a General Electric Range Radio for $1,200 and, again, the Sheriff prepared the bill of sale to himself and approved payment for the radio.

  While the above two transactions may represent legitimate needs of the Department, they are listed here in light of the history of the Sheriff's taking cash advances from the Department as indicated above. (See Appendix D for select correspondence from the State Auditor to the Attorney General's Office)

(*Washington County Sheriff's Department, continued*)

Material Non-Compliance

- Pursuant to 24 V.S.A., § 291a(c), the Sheriff may be compensated for the administration of certain contracts. The section states the following:

  > *"A contract under this section may contain provisions for compensation to the sheriff for administration of the contract and related services. No compensation may be paid to a sheriff for administration of the contract or related services unless the contract sets forth in writing the rate or method of calculation for the compensation and a schedule of payment; provided that a sheriff's compensation for administration shall not exceed five percent of the contract. A sheriff's rate of compensation shall be at a rate equivalent to other employees of the department who provide similar services under the contract. Compensation to the sheriff shall be made in accordance with the schedule set forth in the contract but in no event may a sheriff be compensated for administration of the contract and related services unless the compensation is made in the same calendar year in which the revenue was received by the department under the contract."*

  During FY 2003, total payments to the Sheriff of $875 were made for contract administration. None of the amount paid was supported by any documentation. Request of the Sheriff to provide documentation as to how the amount was determined went unanswered. Based on the review of contracts containing the 5 percent provision, it was noted there was sufficient revenue to allow for payment of $875 and, therefore, no further audit work was performed in this area.

  It should be noted that the Sheriff has not yet repaid the $25,655 of excess entitlement the Sheriff received in the past two years under the 5 percent provision of the Statute.

  When you consider the amounts the Sheriff owes as indicated above related to advances, the possible amounts as indicated in transactions, and the excess the Sheriff owes on overpayment on 5 percent contract administration, the total amount the Sheriff owes the Department is approximately $62,269.

- According to 24 V.S.A. § 291a(d) a written contract between the Sheriff's Department and a governmental or non-governmental entity is required when the total cost of a contract exceeds $2,000 or the duration of services provided by the Department exceeds 10 working days. As in the prior two years, we found instances where the required written contracts were not executed.

(*Washington County Sheriff's Department, continued*)

- The Manual requires segregation of duties for internal control purposes. The book keeper performs routine bookkeeping services and is an authorized check signer who signs the majority of the Department's checks. Due to the bookkeeper's record keeping responsibilities, she should be removed as an authorized check signer to meet the requirements of the Manual.

- The Manual states that the Sheriff should approve the deputies' activity logs or timesheets. Our review of payroll timesheets indicated the required approval of timesheets was not documented. As in the past two audits, we recommend the Sheriff review all employees' timesheets and sign or initial them to document his review and approval as required.

Chittenden County Sheriff's Department

Material Weaknesses

- The Department does not maintain an accounts receivable or accounts payable listing. Upon request, Department personnel created the listing to enter as journal entries to the general ledger. As this was mentioned in the audit for FY 2000, the suggestion is again made that the Department maintain their accounts receivable and accounts payable listings on a current basis and keep the listings as a permanent part of the Department's accounting ledgers.

- The audit of the Department's cash account at June 30, 2003 revealed unreconciled differences from the general ledger of approximately $6,000. The difference remained unreconciled three months after year-end. It was recommended that the Department more closely monitor their records and reconciliations, and perform and investigate large unreconciled differences in a timely manner.

Bennington County Sheriff's Department

Material Weakness

- In auditing the June 30, 2003 balance of accounts receivable, the accounts receivable detailed listing showed approximately $13,500 of unpaid invoices that had been paid to the Department in December 2002. This detailed accounts receivable listing agreed to the amount listed in the general ledger, thus overstating the assets by $13,500.

  Auditors reviewed reconciliation procedures to discover how the $13,500 of cash received and deposited in the bank had remained on the detailed listing and balanced to the general ledger. Auditors noted that no one was performing a reconciliation of accounts receivable to prove the validity or reasonableness of the general ledger balance. Such reconciliation would have allowed the Department to discover the error.

  The Department subsequently implemented appropriate procedures to reconcile the amounts on the detailed open invoice listing to the unpaid bills on file, as well as a methodology to reconcile the balance in the general ledger.

Reportable Conditions

- Auditors were unable to reconcile payroll as reported in the general ledger to the gross payroll as reported on the Quarterly Forms 941 as filed with the Internal Revenue Service. The contract bookkeeper was requested to complete the reconciliations for the four quarters covering the fiscal year ended June 30, 2003 and adjusting entries were made to correct the mispostings.

  The above condition was discussed with the Sheriff who immediately implemented a requirement for the bookkeeper to perform the reconciliations of payroll per general ledger to the amounts being reported to the government.

- Payroll tests revealed that, of the timesheets reviewed, employees only signed approximately 70 percent of the timesheets and none were signed or initialed by management to document approval. The recommendation was made that employees sign all timesheets as verification of hours and assignments worked and that management review and approve all timesheets and document this approval by signing or initialing the timesheet.

Windham County Sheriff's Department

Material Weakness

- The opening balance of cash as of July 1, 2002 was overstated by approximately $23,500. While reconciliations were performed in a timely manner, the balance reported was higher due to the voiding of checks that were written prior to June 30, 2003. Once auditors were confident that the error was caused by the voiding of previously issued checks, a methodology to prevent such an event from happening again was discussed with the office manager and the Sheriff.

Material Non-Compliance

- Pursuant to 24 V.S.A., § 291a(c) [as described above], the Sheriff may be compensated for the administration of certain contracts.

  During FY 2003, payments were made to the Sheriff for contract administration based on an estimate of overall entitlement to the Sheriff. As of June 30, 2003, the Sheriff had received an overpayment of $9,568. This appears on the Department's balance sheet as a receivable as of June 30, 2003.

  Auditors reviewed this situation subsequent to year end, and found that the amount the Sheriff was entitled to under the 5 percent provision of the Statute exceeded the previous advances and resulted in a net amount due to the Sheriff of $4,650 as of September 30, 2003.

Orange County Sheriff's Department

Material Weakness

- The State of Vermont's Uniform Accounting Manual for County Sheriff Departments (Manual) requires segregation of duties for internal control purposes. It was noted that the administrative assistant is responsible for bookkeeping, making deposits, and reconciling the bank statements. She is also an authorized check signer. This precludes a sufficient segregation of duties to ensure adequate internal controls. The recommendation was made that the Sheriff periodically obtain unopened bank statements and review bank activity and cancelled checks. This review would be documented by the Sheriff's initials and date on the bank statement.

Windsor County Sheriff's Department

No Material Weaknesses, Reportable Conditions or Material Non-Compliance

Compilation of the Reports

Compilation of the Reports Submitted by County Sheriffs
and the Assistant Judges

Financial Operations of and Financial Assistance to the
County Sheriffs' Departments

for the Fiscal Year ended June 30, 2003

UNAUDITED - State of Vermont Sheriffs' Departments - Balance Sheets - Schedule 1
Compiled from Reports Submitted by County Sheriffs for the Fiscal Year Ended June 30, 2003

	Addison County	* Bennington County	Caledonia County	* Chittenden County	Essex County	Franklin County	Grand Isle County	Lamoille County	* Orange County	Orleans County	Rutland County	* Washington County	* Windham County	* Windsor County	Total (Memorandum Only)
ASSETS															
Cash and Cash Equivalents	$ 171,503	$ 152,290	$ 56,268	$ 182,046	$ 127,891	$ 145,091	$ 50,194	$ 366,645	$ 144,108	$ 42,343	$ 52,804	$ 45,216	$ 235,318	$ 283,006	$ 2,054,723
Investments, at Fair Market Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables, Net of Allowance													-		
for Uncollectible Accounts	112,161	61,432	21,329	68,075	44,764	69,160	39,510	7,766	13,385	24,303	138,419	90,836	161,957	21,806	874,903
Due from Sheriffs and Employees	-	-	-	-	-	-	3,000	-	-	-	-	31,956	9,568	-	44,524
Due from Other Governments	-	5,858	-	-	-	-	-	-	-	-	-	-	40,700	48,621	95,179
Accrued Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory, at Cost	28,998	-	-	-	-	-	-	-	-	-	-	-	-	-	28,998
Prepaid Expenses and													-		
Deferred Charges	6,806	-	-	1,642	10,357	-	2,191	7,204	-	5,631	12,142	6,250	18,838	8,345	79,406
Fixed Assets, Net of								-					-		
Accumulated Depreciation	247,290	217,781	76,704	128,862	98,562	244,618	34,836	501,238	64,360	107,949	185,936	60,864	411,834	205,978	2,586,812
Restricted Assets	-	-	-	-	-	-	-	-	13,708	-	117,597	-	-	9,520	140,825
Total Assets	$ 566,758	$ 437,361	$ 154,301	$ 380,625	$ 281,574	$ 458,869	$ 129,731	$ 882,853	$ 235,561	$ 180,226	$ 506,898	$ 235,122	$ 878,215	$ 577,276	$ 5,905,370
LIABILITIES and EQUITY															
LIABILITIES															
Accounts Payable	$ 4,340	$ 14,698	$ 686	$ 21,555	$ 1,236	$ 60,726	$ -	$ 12,174	$ 3,708	$ 726	$ 22,297	$ 12,850	$ 36,302	$ 4,956	$ 196,254
Due to the State of Vermont	-	5,858	-	-	-	-	-	-	-	-	-	-	-	-	5,858
Accrued Interest Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wages and Payroll Items Payable	8,066	25,216	12,231	37,037	10,657	34,832	7,459	53,333	8,833	12,902	53,873	19,501	62,385	11,200	357,525
Compensated Absences Payable	6,840	-	-	-	-	-	-	-	-	11,081	42,445	-	19,200	-	79,566
Deferred Revenue	-	-	1,000	4,297	-	-	6,271	-	13,708	-	38,595	-	-	-	63,871
Deferred Compensation	-	-	-	-	-	-	-	-	-	-	117,597	-	-	-	117,597
Notes and Other Debt Payable	284	139,008	18,281	28,840	-	273,926	30,244	63,464	15,386	57,915	147,812	9,810	-	127,841	912,811
Total Liabilities	19,530	184,780	32,198	91,729	11,893	369,484	43,974	128,971	41,635	82,624	422,619	42,161	117,887	143,997	1,733,482
EQUITY															
Retained Earnings	547,228	252,581	122,103	288,896	269,681	89,385	85,757	753,882	193,926	97,602	84,279	192,961	760,328	433,279	4,171,888
Total Equity	547,228	252,581	122,103	288,896	269,681	89,385	85,757	753,882	193,926	97,602	84,279	192,961	760,328	433,279	4,171,888
Total Liabilities and Equity	$ 566,758	$ 437,361	$ 154,301	$ 380,625	$ 281,574	$ 458,869	$ 129,731	$ 882,853	$ 235,561	$ 180,226	$ 506,898	$ 235,122	$ 878,215	$ 577,276	$ 5,905,370

Notes

* - Indicates that the June 30, 2003 report was required by Vermont statute to be audited by a Certified Public Accountant.

UNAUDITED

State of Vermont Sheriffs' Departments

Statement of Revenues, Expenses and Changes in Retained Earnings - Schedule 2

Compiled from Reports Submitted by County Sheriffs for the Fiscal Year Ended June 30, 2003

	Addison County	* Bennington County	Caledonia County	* Chittenden County	Essex County	Franklin County	Grand Isle County	Lamoille County	* Orange County	Orleans County	Rutland County	* Washington County	* Windham County	* Windsor County	Total (Memorandum Only)
OPERATING REVENUES															
Charges for Services	$ 218,524	$ 936,603	$ 328,013	$ 279,791	$ 220,876	$ 664,348	$ 136,607	$ 1,088,169	$ 268,485	$ 385,016	$ 1,201,632	$ 526,280	$ 1,796,550	$ 567,494	$ 8,618,388
Jail Revenue	332,469	-	-	-	-	189,360	-	-	255	-	-	-	-	-	522,084
Operating Grants and Forfeitures	9,525	8,923	9,500	231,806	63,474	29,150	121,979	141,997	10,140	54,586	206,022	82,114	95,082	71,333	1,135,631
Miscellaneous Revenues	94,529	113,227	1,166	305,926	552	81,028	28,317	-	22,720	145,311	-	18,293	12,535	92,221	915,825
Total Operating Revenues	655,047	1,058,753	338,679	817,523	284,902	963,886	286,903	1,230,166	301,600	584,913	1,407,654	626,687	1,904,167	731,048	11,191,928
OPERATING EXPENSES															
Contracted Services	202,933	732,352	239,469	165,002	113,455	30,642	53,939	314,568	119,175	148,644	594,301	156,104	1,455,623	261,267	4,587,474
Process Services	8,941	6,853	3,994	90,320	758	18,645	2,980	23,140	46,489	47,358	23,118	56,398	22,097	31,985	383,076
Jail Services	255,727	-	-	-	-	300,307	-	-	2,256	-	-	-	-	-	558,290
Transportation Services	-	-	-	47,989	17,900	-	-	-	-	-	18,293	263,327	-	29,146	376,655
Administration and General	39,508	182,181	14,500	195,589	66,310	469,030	84,527	266,222	64,369	227,401	505,643	54,695	221,915	201,764	2,593,654
Communication Services	11,886	3,575	2,522	-	1,442	9,279	-	414,954	13,026	32,364	59,011	13,195	98,965	14,358	674,577
Automotive Services	50,833	81,325	25,836	70,262	25,911	48,332	23,903	43,129	24,343	42,834	88,012	48,917	243,208	78,209	895,054
Grants	-	1,157	866	154,679	-	21,194	100,901	4,795	3,062	-	211,824	-	95,103	31,893	625,474
Depreciation	79,647	75,401	31,254	52,948	28,863	56,855	3,647	74,713	26,066	44,378	65,899	44,806	156,156	72,673	813,306
Total Operating Expenses	649,475	1,082,844	318,441	776,789	254,639	954,284	269,897	1,141,521	298,786	542,979	1,566,101	637,442	2,293,067	721,295	11,507,560
NON-OPERATING REVENUES (EXPENSES)															
Interest	1,208	-	282	832	-	39	-	5,781	2,029	400	651	3	11,727	-	22,952
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	9,135	-	1,928	-	-	-	-	-	-	-	28,113	-	-	-	39,176
Sale of Equipment	19,754	-	(1,531)	830	628	(7,606)	-	-	-	7,000	-	9,000	(4,655)	-	23,420
Other	-	-	(2,972)	-	-	(7,208)	-	22,583	838	-	(22,927)	-	286	-	(9,400)
Interest and Fiscal Charges	-	(7,745)	(2,400)	-	(83)	(5,512)	-	(8,235)	-	(3,541)	-	(1,007)	-	(6,414)	(34,937)
Total Non-Operating Revenues (Expenses)	30,097	(7,745)	(4,693)	1,662	545	(20,287)	-	20,129	2,867	3,859	5,837	7,996	7,358	(6,414)	41,211
Net Income (Loss)	35,669	(31,836)	15,545	42,396	30,808	(10,685)	17,006	108,774	5,681	45,793	(152,610)	(2,759)	(381,542)	3,339	(274,421)
Retained Earnings, Beginning of Year	511,559	284,417	106,558	246,500	238,873	100,070	68,751	645,108	188,245	51,809	236,889	195,720	1,141,870	429,940	4,446,309
Retained Earnings, End of Year	$ 547,228	$ 252,581	$ 122,103	$ 288,896	$ 269,681	$ 89,385	$ 85,757	$ 753,882	$ 193,926	$ 97,602	$ 84,279	$ 192,961	$ 760,328	$ 433,279	$ 4,171,888

Notes

* - Indicates that the June 30, 2003 report was required by Vermont statute to be audited by a Certified Public Accountant.

UNAUDITED

State of Vermont Sheriffs' Departments

Summary of County Cash Expenditures in Support of Sheriffs' Departments - Schedule 3

Compiled from Reports Submitted by the Assistant Judges for the Fiscal Year Ended June 30, 2003

	Addison County	Bennington County	Caledonia County	Chittenden County	Essex County	Franklin County	Grand Isle County	Lamoille County	Orange County	Orleans County	Rutland County	Washington County	Windham County	Windsor County	Total (Memorandum Only)
COUNTY EXPENDITURES in SUPPORT of SHERIFFS' DEPARTMENTS															
Personnel Costs	$ 67,207	$ 91,664	$ 55,032	$ 78,988	$ 18,040	$ 46,286	$ 37,731	$ 50,746	$ 139,047	$ 39,017	$ 103,577	$ 88,377	$ 172,878	$ 66,361	$ 1,054,951
Equipment Costs - Office	1,113	2,245	1,660	275	-	5,000	6,451	8,049	910	1,954	-	1,280	3,153	10,227	42,317
Equipment Costs - Law Enforcement	6,500	-	4,288	-	4,293	5,150	28,991	3,450	14,764	724	45,871	13,435	-		127,466
Office Expense (Rent, supplies, telephone, etc.)	9,129	53,756	20,924	33,462	2,777	12,211	-	15,369	22,612	5,753	3,300	11,251	10,567	18,815	219,926
Insurance & Bonding	23,503	17,860	9,131	14,401	13,358	12,227	2,648	12,018	20,779	14,828	23,012	24,950	41,107	17,318	247,140
Training	1,010	3,623	1,454	13,356	232	16,346	20,964	3,959	2,249	4,877	11,713	6,385	81	5,785	92,034
Matching Share of Grants		-	-		2,000			-		-				-	2,000
Other Operating Costs	923	2,782	-	3,357	7,325	43,617	1,868	11,556	1,502	100		13,572		13,283	99,885
Total County Expenditures in Support of Sheriffs' Departments	$ 109,385	$ 171,930	$ 92,489	$ 143,839	$ 48,025	$ 140,837	$ 98,653	$ 105,147	$ 201,863	$ 67,253	$ 187,473	$ 159,250	$ 227,786	$ 131,789	1,885,719

Appendix A

Vermont Statutes Annotated

Title 24: Municipal and County Government

Chapter 5: County Officers; Powers And Duties

§ 290. County sheriff's department

(a) A sheriff's department is established in each county. It shall consist of the elected sheriff in each county, and such deputy sheriffs and supporting staff as may be appointed by the sheriff. Full-time employees of the sheriff's department, paid by the county, shall be county employees for all purposes but shall be eligible to join the state employees retirement system, provided the county shall pay the employer's share. The sheriff's department shall be entitled to utilize all state services available to a town within the county.

(b) Full-time deputy sheriffs whose primary responsibility is transportation of prisoners and mentally ill persons shall be paid by the state of Vermont. The appointment of such deputies and their salary shall be approved by the governor, or his designee.

(c) Equity, indebtedness, ownership of equipment and title to motor vehicles associated with the operation of each sheriff's department and purchased with department funds shall be held in the name of the department, not in the name of the sheriff. The department is constituted as a legal entity with the power to contract and incur liabilities.

(d) Upon the election of a sheriff-elect who is not the incumbent sheriff, or upon notice of the resignation of the sheriff, all financial disbursements from the accounts of the department, including the transfer of real or personal property, or other assets, of the department shall be co-signed by the sheriff and the assistant judges. A report of all financial disbursements or transfers made pursuant to this subsection shall be forwarded by the assistant judges to the auditor of accounts within 15 days of completion of the out-going sheriff's duties. (Added 1977, No. 218 (Adj. Sess.), § 1; amended 1987, No. 262 (Adj. Sess.), § 3; 1991, No. 257 (Adj. Sess.), § 4.)

§ 290b. Quarterly reports; audits

(a) Quarterly, on or before April 30, July 31, October 31 and January 31, the sheriff and each full-time deputy sheriff shall furnish to the finance and management commissioner and to the assistant judges for filing with the county clerk, on forms provided by the commissioner, a sworn statement of all sums in addition to full-time salaries received by each of them as compensation acquired by virtue of their offices. Such reports shall be public records. The sheriff shall revoke the commission of any full-time deputy sheriff who fails to file such a report. The commissioner of finance and management shall withhold payments of salary and expenses to any sheriff or full-time deputy sheriff who fails to file such a report.

(b) The auditor of accounts shall adopt and sheriffs shall comply with a uniform system of accounts, controls, and procedures for the sheriff's department, which accurately reflects the receipt and disbursement of all funds by the department, the sheriff, and all employees of the department. The uniform system shall include:

(1) Requirements for written financial records and books.
(2) Procedures for the recording of all financial transactions and the maintenance of such records.
(3) Procedures to ensure proper documentation to ensure that all disbursement transactions are properly supported, approved, and recorded.
(4) Procedures to ensure that all receipts are properly supported and recorded.
(5) Procedures to ensure that bank receipt and disbursement accounts are reconciled on a timely basis.
(6) Procedures for the preparation of an annual set of financial reports which accurately reflects the financial transactions and condition of the department.
(7) Procedures to ensure that all payments for services performed by the sheriff, deputy sheriffs, or other employees of the department rendered by virtue of their office are made to the sheriff's department.
(8) Procedures and controls which identify revenues received from public entities through appropriations or grants from the federal, state or local governments from revenues received through contracts with private entities.
(9) Other procedures and requirements as the auditor of accounts deems necessary.

(c) The auditor of accounts and his or her designee may at any time examine the records, accounts, books, papers, contracts, reports and other materials of the county sheriff departments as they pertain to the financial transactions, obligations, assets, and receipts of that department. The auditor, or his or her designee, shall conduct an audit of the accounts for a sheriff's department whenever the incumbent sheriff leaves office.

(d) Annually each sheriff shall furnish the auditor of accounts on forms provided by the auditor, a financial report reflecting the financial transactions and condition of the sheriff's department. The sheriff shall submit a copy of this report to the assistant judges of the county. The assistant judges shall prepare a report reflecting funds disbursed by the county in support of the sheriff's department and forward a copy of their report to the auditor of accounts. The auditor of accounts shall compile the reports and submit one report to the general assembly.

(e) Biennially, according to a schedule established by the auditor of accounts, each sheriff shall retain a public accountant selected by the sheriff and the assistant judges to conduct an audit of the financial systems, controls, and procedures within the department. The public accountant shall prepare a written report detailing the review of the department. A copy of this report shall be forwarded to the assistant judges and the auditor of accounts. The cost of this report shall be paid by the secretary of administration, auditor of accounts and the sheriff's department, in equal amounts. (Amended 1991, No. 257 (Adj. Sess.), § 3, eff. July 1, 1993; 1993, No. 60, § 55a.)

§ 291a. Contracts

(a) In the name of the sheriff's department, the sheriff may enter into written contracts with the state of Vermont, an agency of the United States, one or more towns within or without the county, or any nongovernmental entity, to provide law enforcement or other related services including, but not limited to, security services, central dispatching for police, fire or ambulance services, and centralized support services. Contracts between the sheriff's department and a town shall be valid if approved by the sheriff and by a majority of the selectmen of the town provided that funding has been approved by a duly warned annual or special town meeting. Deputy sheriffs engaged in the performance of a contract shall be considered employees of the sheriff's department for all purposes, except that for purposes of determining eligibility for Social Security, employees under this section shall be considered county employees, provided however that the sheriffs' departments shall be responsible for employers' contributions.

(b) A contract made with a town to provide law enforcement or related services shall contain provisions governing the following subjects as best suit the needs of the parties:

(1) The services to be provided, including state statutes, or town ordinances or both, which are to be enforced;
(2) Rates of compensation, allocation of expenses, total cost of contract and methods of payment therefore;
(3) Ownership of any property acquired under the contract in event of termination of the contract;
(4) The type, frequency and information to be contained in reports submitted by the sheriff's department to the town;

(5) Methods adopted to resolve disputes;
(6) The term of the contract shall specify the commencement and termination date of the services to be provided and provisions for renewal thereof; and
(7) Such other items, not inconsistent with law, as may be agreed upon.

(c) A contract under this section may contain provisions for compensation to the sheriff for administration of the contract and related services. No compensation may be paid to a sheriff for administration of the contract or related services unless the contract sets forth in writing the rate or method of calculation for the compensation and a schedule of payment; provided that a sheriff's compensation for administration shall not exceed five percent of the contract. A sheriff's rate of compensation shall be at a rate equivalent to other employees of the department who provide similar services under the contract. Compensation to the sheriff shall be made in accordance with the schedule set forth in the contract but in no event may a sheriff be compensated for administration of the contract and related services unless the compensation is made in the same calendar year in which the revenue was received by the department under the contract.

(d) An agreement or contract for services between a sheriff's department and governmental or nongovernmental entity shall be in writing if the total cost of the contract or agreement exceeds $2,000 or the duration of the services provided exceeds ten working days or if the cumulative total of the contracts or agreements entered into by the sheriff's department and the same governmental or nongovernmental entity exceeds $2,000 or ten working days within a calendar year. Annually, the sheriff shall submit to the assistant judges for filing with the county clerk a report of all written contracts, categorized by the contracting party, services rendered, date of contract, and amount received.

(e) Each sheriff's department shall establish a procedure for all purchase contracts entered into by the department. The procedure shall be established in writing, filed with the assistant judges and made available for public review. The written procedure shall also be forwarded to the auditor of accounts for use in the conduct of audits required under this chapter. (Added 1977, No. 218 (Adj. Sess.), § 2; amended 1987, No. 121, § 10; 1991, No. 257 (Adj. Sess.), § 2.)

Appendix B

Approach and Methodology

According to Title 24 V.S.A. § 290b(e): "Biennially, according to a schedule established by the auditor of accounts, each sheriff shall retain a public accountant selected by the sheriff and assistant judges to conduct an audit of the financial systems, controls and procedures within the department."

Title 24 V.S.A. § 290b(d) further requires that: "The auditor of accounts shall compile the reports and submit one report to the general assembly."

Historically, the county sheriffs' departments had little or no response to their requests for proposals and had difficulty arranging for accounting firms to complete the required audit work in a timely manner.

Staff from the State Auditor's Office met with the Sheriffs throughout the first six months of 2001 to discuss strategies for improving the problems in retaining qualified independent accounting firms to conduct the audits in a timely manner. At that time it was determined that a single Request for Proposals (RFP) to conduct the audits of all county sheriffs' departments would likely yield the best response. Representatives from the Sheriffs' Association Executive Committee anticipated that a single contract with the same accounting firm would incorporate a more efficient and economic process that was difficult to implement when the 14 separate departments solicited bids, made awards, and attempted to provide timely audited or unaudited financial statements to the State Auditor's Office.

The State Auditor's Office agreed to manage and coordinate the administrative work associated with conducting a competitive bidding process including the development of the RFP. Four independent accounting firms responded to the RFP and following an evaluation process members of the Vermont Sheriffs' Association's Executive Committee endorsed a proposal by R.F. Lavigne & Company of Williston, to perform the biennial audit of Vermont's 14 County Sheriffs' Departments for FY 2001 and FY 2002. This proposal and subsequent contract were later agreed to and approved by all county sheriffs' departments and assistant judges with the exception of Essex County. At the time the contract was being developed Essex County felt that given their small Office they could procure a local accountant for less cost. However, they since have contracted with R.F. Lavigne & Company to perform their biennial audit.

In 2003, the Auditor's Office and Sheriff's Association agreed to extend this contract with R.F. Lavigne & Company for an additional two-year term, as allowed under Agency of Administration Bulletin No. 3.5, Contract Procedures.

All audits conducted by R.F. Lavigne & Company are completed in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

A separate audit report on the financial statements, internal controls and compliance, in accordance with generally accepted government auditing standards, is required for the financial statements of each department. A letter of findings and recommendations is also expected, if applicable.

Financial statements are formatted in accordance with the sample financial statements included as Appendix G of the Uniform Accounting Manual for the County Sheriff Departments (rev.12/1998), as prepared by the Vermont State Auditor of Accounts.

Copies of the final audit reports are provided to the respective sheriffs' departments and to the Office of the State Auditor.

Appendix C

Glossary of Terms

Non-Compliance

Auditors should design the audit to provide reasonable assurance of detecting material misstatements resulting from violations of provisions of contracts or grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives. If specific information comes to the auditors’ attention that provides evidence concerning the existence of possible violations of provisions of contracts or grant agreements that could have a material indirect effect on the determination of financial statement amounts or other financial data significant to the audit objectives, auditors should apply audit procedures specifically directed to ascertain whether violations of provisions of contracts or grant agreements have occurred or are likely to have occurred.

Auditors should be alert to situations or transactions that could be indicative of abuse, and if indications of abuse exist that could significantly affect the financial statement amounts or other financial data, auditors should apply audit procedures specifically directed to ascertain whether abuse has occurred and the effect on the financial statement amounts or other financial data.

AICPA standards and GAGAS require auditors to assess the risk of material misstatements of financial statement amounts or other financial data significant to the audit objectives due to fraud and to consider that assessment in designing the audit procedures to be performed. Auditors are also required to design the audit to provide reasonable assurance of detecting material misstatements resulting from direct and material illegal acts (violations of laws and regulations) and to be aware of the possibility that indirect illegal acts may have occurred. Under GAGAS, auditors have the same responsibilities for detecting material misstatements arising from violations of provisions of contracts or grant agreements as they do for detecting those arising from fraud and illegal acts. Auditors should design the audit to provide reasonable assurance of detecting material misstatements resulting from direct and material violations of provisions of contracts or grant agreements. If specific information comes to the auditors' attention that provides evidence concerning the existence of possible violations of provisions of contracts or grant agreements that could have a material indirect effect on the financial statements or significant indirect effect on other financial data needed to achieve audit objectives, auditors should apply audit procedures specifically directed to ascertain whether violations have occurred or are likely to have occurred.

Abuse is distinct from fraud, illegal acts, and violations of provisions of contracts or grant agreements. When abuse occurs, no law, regulation, or provision of a contract or grant agreement is violated. Rather, the conduct of a program or entity falls far short of behavior that is expected to be reasonable and necessary business practices by a prudent person. Auditors should be alert to situations or transactions that could be indicative of abuse. When information comes to the auditors' attention (through audit procedures, allegations received through a fraud hotline, or other means) indicating that abuse may have occurred, auditors should consider whether the possible abuse could affect the financial statement amounts or other financial data significantly. If indications of possible abuse exist that significantly affect the financial statement amounts or other financial data, the auditors should extend the audit steps and procedures, as necessary, to (1) determine whether the abuse occurred and, if so, (2) determine its effect on the financial statement amounts or other financial data. Auditors should consider both quantitative and qualitative factors in making judgments regarding the materiality of possible abuse and whether they need to extend the audit steps and procedures. However, because the determination of abuse is subjective, auditors are not expected to provide reasonable assurance of detecting abuse.

Source: *Government Auditing Standards (Yellow Book), 2003 Revision, paragraphs 4.17, 4.18, 4.19 and 4.20.*

Immaterial Non-Compliance

A finding which discusses conditions representing non-compliance with laws and regulations, or provisions of contracts or grant agreements, the effects of which do not have a material effect on the financial statements.

Material Weakness

A material weakness in internal control is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Although this section does not require that the auditor separately identify and communicate material weaknesses, the auditor may choose or the client may request the auditor to separately identify and communicate as material weaknesses those reportable conditions that, in the auditor's judgment, are considered to be material weaknesses.

Source: *Codification of Statements on Auditing Standards, AU § 325.15*

Reportable Condition

Specifically, these are matters coming to the auditor's attention that, in his or her judgment, should be communicated to the audit committee because they represent significant deficiencies in the design or operation of internal control, which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Such deficiencies may involve aspects of the five internal control components of (a) the control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) monitoring.

Source: *Codification of Statements on Auditing Standards, AU § 325.02*

Appendix D

April 29, 2004

Bill Rice, Assistant Attorney General
Office of the Attorney General
109 State Street
Montpelier, VT 05609-1001

Dear Mr. Rice:

I am writing to follow-up on my November 17, 2003 letter to Deputy Attorney General Malley and to the April 12, 2004 court proceedings regarding Washington County Sheriff Donald Edson's guilty plea of False Claim.

I understand from the Notice of Plea Agreement that the special probation conditions include restitution in the amount of $32,613 as well as the ability of the State to "pursue civil remedies with respect to remaining claims."

We understand that the restitution amount of $32,613 includes the following amounts owed as outlined in the FY 2003 Financial Statement audit conducted by R.F. Lavigne & Company:

$ 3,195	For the balance of funds owed from advances made to the Sheriff.
25,000	For the loan to the Sheriff in the Department's name.
2,000	For interest associated with the loan.
1,935	For cash advances to the Sheriff on the Department's credit card.
154	For personal cell phone charges.
330	For other personal charges.
$32,614	Total Restitution

My letter of November 17, 2003 noted a total of $62,268 that Sheriff Edson owed to the Washington County Sheriff's Department as of June 30, 2003. When we subtract the amounts owed as restitution we note that the following amounts are still owed by the Sheriff as outlined in the FY 2003 Financial Statement audit conducted by R.F. Lavigne & Company:

$ 5,000	For Departmental equipment the Sheriff purchased from himself in FY 2003
25,655	For receipt of contractual fees to which he was not entitled in FY 2002.
$30,655	Total

In addition the Washington County Sheriff's Department still owes this Office a total of $11,055 for additional auditing services for the FY 2001 audit, and the full costs of the FY 2002 audit that was conducted at the request of the Attorney General's Office. These additional auditing costs were occasioned by the conduct of Sheriff Edson and to date have been paid with state supported General Funds from my Office's budget. I have attached previous correspondence relating to this matter for your information.

I am hopeful that the civil claim against Mr. Edson will include the remaining funds that are still owed.

I would be happy to discuss this with you in more detail. Please let me know if you have any questions.

Sincerely,

Elizabeth M. Ready
State Auditor

Attachments

Appendix E

June 9, 2003

Pietro J. Lynn, Esq.
Counsel, State Sheriffs' Association
Lynn & Associates, P.C.
7 Kilburn Street
Burlington, VT 05401

Re: Sheriff Compensation

Dear Pietro:

At a recent meeting of the Executive Committee of the State Sheriffs' Association, hosted by the State Auditor, you asked that this office respond to several questions. Your questions centered on the meaning of 24 V.S.A. § 291a(c). That subsection provides:

§ 291a. Contracts

* * *

> (c) A contract under this section may contain provisions for compensation to the sheriff for administration of the contract and related services. No compensation may be paid to a sheriff for administration of the contract or related services unless the contract sets forth in writing the rate or method of calculation for the compensation and a schedule of payment; provided that a sheriff's compensation for administration shall not exceed five percent of the contract. A sheriff's rate of compensation shall be at a rate equivalent to other employees of the department who provide similar services under the contract. Compensation to the sheriff shall be made in accordance with the schedule set forth in the contract but in no event may a sheriff be compensated for administration of the contract and related services unless the compensation is made in the same calendar

year in which the revenue was received by the department under the contract.

You first asked whether a sheriff is required by this subsection to keep track of time spent on the administration of a particular contract. I believe that the answer to that question depends on how the contract is drafted. Clearly, a contract providing for this type of compensation is required to contain "the rate or method of calculation for the compensation ..." Accordingly, if the contract provides a formula for payment which is based upon the number of hours spent administering a contract, then it would seem to require the sheriff to account for time spent on contract management. On the other hand, if the contract simply provides that the sheriff is to receive a fixed percentage of the contract proceeds (not exceeding 5%), then I do not believe that it is necessary for the sheriff to maintain a record of time spent administering the contract.

You next asked whether a sheriff is entitled to receive payment under a §291a contract for hours spent actually providing contractual services, such as patrolling, or directing traffic. I believe that answer to that question is yes. Clearly, the Legislature intends that sheriffs may receive fees over and above their base salaries. For example, 24 V.S.A. §290b requires sheriffs to report quarterly "all sums in addition to full-time salaries received by each of them as compensation acquired by the virtue of their offices." And, as we have already seen, §291a(c) provides that sheriffs may receive up to 5% of the proceeds of a contract for the administration of a contract.

More to the point, subsection (c) contains the following sentence: "A sheriff's rate of compensation shall be at a rate equivalent to other employees of the department who provide similar services under the contract." This language might be interpreted to mean that a sheriff may only be compensated for contract administration at the same rate as other department employees are compensated for administration. This interpretation would likely mean that sheriffs in the less populated counties would be ineligible to receive administrative fees because no one else would likely reject such an illogical construction. See *State v. Lussier*, 171 Vt. 19, 36, 757 A.2d 1017, 1028-29 (2000) (*citing Craw v. District Court*, 150 Vt. 114, 119, 549 A.2d 1191, 1194, (1984) for proposition that courts reject statutory construction that leads to absurd results).

More important, however, is the Legislature's use of the phrase "similar services under the contract", with no reference to administration. Contractual services are the work product to be provided by the sheriff's office, not the management of the contract. Therefore, I concluded that sheriffs are entitled to be compensated for actual hours that they work providing the services, which have been contracted for. This compensation is, of course, subject to a cap. The sheriff may be paid no more than the rate paid to other employees doing similar work. §291a(c).

Finally, you ask whether a sheriff is required to account for actual hours worked under a contract in order to be compensated. Such records would seem to be mandated by 24 V.S.A. § 290b(b)(3), which requires an accounting system that, among other things, provides "[p]rocedures to ensure proper documentation to ensure that all disbursement transactions are properly supported, approved, and recorded." Further, it is hard to imagine how a sheriff would justify payment for hours worked without submitting some form of a time report.

The foregoing are the opinions of this office. As you know, any final determination of the meaning of the statutory language at issue is ultimately up to the courts and they may reach a different result.

Sincerely,

William H. Rice
Assistant Attorney General

cc: Elizabeth Ready, Auditor of Accounts

To obtain additional copies of this report contact:

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